

(For Administrative Use Only) OCT 23 1941 ★

U. S. Department of Agriculture

POINTS RECEIVING SPECIAL EMPHASIS IN THE 1941 PROGRAM
OF THE FARM SECURITY ADMINISTRATION

The Farm Security Administration is reorganizing its county committee set-up so as to provide more effective advisory services of farmers, and in its 1941 program special emphasis is being given to (1) farm debt adjustment, (2) tenure improvement, (3) community and cooperative services, and (4) farm home planning.

The following outline of the purposes of the Farm Security Administration's program and the approaches to them should be helpful to those in the Bureau of Agricultural Economics whose duties bring them in rather close contact with or who are interested in the programs of the Farm Security Administration.

FARM DEBT ADJUSTMENT

A. Why Needed

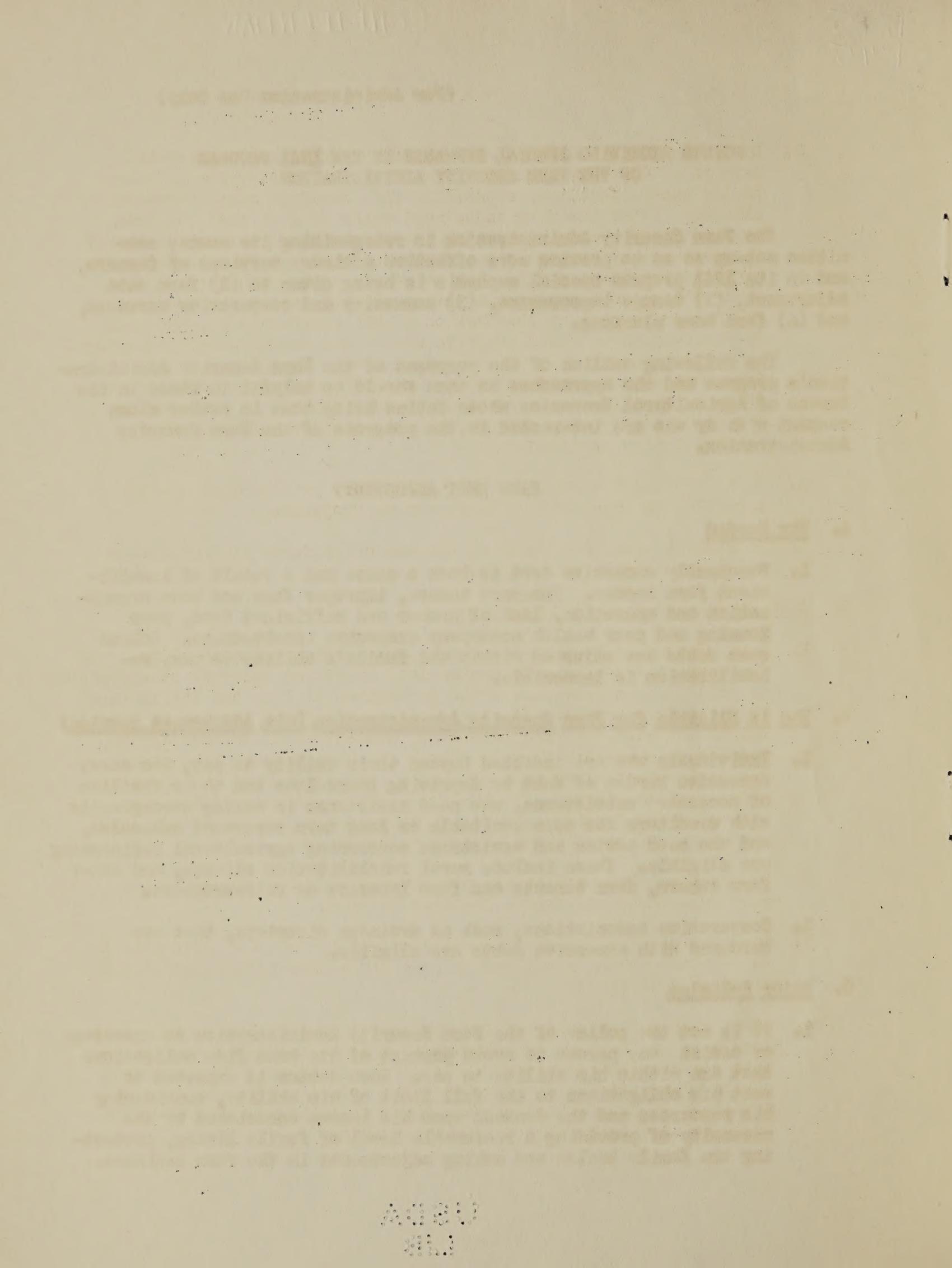
1. Frequently excessive debt is both a cause and a result of insufficient farm income. Insecure tenure, improper farm and home organization and operation, lack of proper and sufficient food, poor housing and poor health accompany excessive indebtedness. Unless such debts are adjusted within the family's ability to pay, rehabilitation is impossible.

B. Who is Eligible for Farm Security Administration Debt Adjustment Service?

1. Individuals who are indebted beyond their ability to pay, who carry excessive burden of debt by depriving themselves and their families of necessary subsistence, who need assistance in making arrangements with creditors for more equitable or long term repayment schedules, and who need advice and assistance concerning agricultural refinancing are eligible. These include rural rehabilitation clients, and other farm owners, farm tenants and farm laborers or sharecroppers.
2. Cooperative associations, such as drainage districts, that are burdened with excessive debts are eligible.

C. Major Policies

1. It is not the policy of the Farm Security Administration to encourage or assist any person to avoid payment of his bona fide obligations that are within his ability to pay. Each debtor is expected to meet his obligations to the full limit of his ability, considering his resources and the demands upon his income occasioned by the necessity of providing a reasonable level of family living, protecting the family health and making adjustments in the farm business.



2. While any farmer burdened with excessive debts may receive the service of the Farm Security Administration, preference is given to low income families, especially Farm Security Administration clients. After the debt adjustment needs of such families have been met, any remaining time of the Farm Debt Adjustment personnel is available to higher income farmers. While no Farm Security Administration loans may be made to enable such farmers to adjust their debts, debt adjustment personnel will assist the creditor and debtor in getting together on a satisfactory basis, and will do whatever is in their power to secure the needed credit elsewhere.

3. Farm Debt Adjustment shall be an integral part of the total Farm Security Administration work. That is, it shall be included as a part of the Tenant Purchase, Resettlement Project and Rural Rehabilitation programs.

4. Debt adjustment consideration is mandatory as a part of family selection of occupants of Resettlement Projects.

5. No payments are to be made on old unsecured debts in any year in which grants have to be made.

D. Main Approaches to Debt Adjustment

1. Debt adjustment must be based on complete farm and home plans. The farm and home plan should contemplate operating the farm as efficiently as possible and provide for the production of farm and family needs from the farm itself. It should also contemplate the use of sufficient cash for food, clothing, medical care, repairs for the household, necessary farm operating expense, annual maintenance and replacement of capital equipment, and for making the necessary changes in the farm family business. The remainder of the farm income may be applied on debts. Debts should then be so adjusted that they can be paid out of this balance.

2. County committees and county supervisors will be trained to do debt adjustment and tenure improvement work.

3. The debt of Farm Security Administration borrowers will be studied in relation to their ability to pay, and needed adjustments determined on this basis.

4. Area standards or criteria for the measurement of the maximum debt load per acre and per livestock unit will be developed so that the debt capacity of individual farms may be compared. Such criteria should also indicate the need for debt adjustment in the area as a whole. The assistance of Farm Security Administration committees is to be used in setting up such standards.

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TENURE IMPROVEMENT

A. Long Range Objectives

1. Establish and maintain as the predominating pattern for American agriculture family-sized owner operated farms capable of providing a satisfactory level of living, with secure tenure.
2. Establish a more equitable adjustment of population to land. This involves immediately assisting farm families displaced in defense areas to find new farms under reasonable terms.
3. Maintain land prices, taxes and rents consistent with agricultural earning capacity, after supporting a satisfactory level of family living, as contrasted with speculative values or values dependent on a low level of living.
4. Improve the relation of farm operators to the land.

B. Some Long Range Approaches to these Objectives

1. More equitable adjustment of population will involve:
 - a. Reorganization of agriculture in overpopulated areas so as to secure maximum production for home consumption on farms of limited acreages and make it possible to retain the maximum number of people in the area consistent with a satisfactory level of living.
 - b. Removal or relocation of any surplus families so that the remaining families may become self-supporting.
 - c. Giving such financial aid as may be required to make possible efficiently operated economically sized units for those remaining in the area.
 - d. Reorganization of large holdings of land capable of supporting a larger number of families:
 - 1) Through subdivision under the Tenant Purchase program, or
 - 2) By means of purchase or lease by the Government or by a Government financed cooperative association, the land to be released in family sized units or possibly to be operated as a cooperative farm.
- e. Reclamation of good agricultural land.

2. Ways of establishing and maintaining land prices, taxes and rents consistent with agricultural earning capacity, after supporting a satisfactory level of living are to:
 - a. Attempt to bring about a better understanding of the agricultural earning capacity of land and the social advantage to farmers and others living in agricultural communities of keeping land prices, taxes and rents in line with such earning capacity.
 - b. Encourage the universal acceptance of customs involving a higher level of living, such as better housing, as a means of forcing any benefits that may come to agriculture to be absorbed in such a higher level of living rather than in higher land values and rents.
 - c. Seek an administration of Federal programs that will facilitate the land tenure objectives herein set forth. Much might be accomplished in this respect in connection with the Agricultural Adjustment Administration program, the lending program of the Farm Credit Administration and the various Farm Security Administration programs.
 - d. Encourage the study and consideration of control legislation that would reduce the competition from non-resident and large-scale operators in the ownership and use of land, or that in other ways would stabilize land prices. Some controls that have been used or have been suggested are:
 - 1) Homestead exemption for family-sized owner-operator farms.
 - 2) Progressive land tax.
 - 3) Minimum housing standards for tenant farms.
 - 4) Minimum wages and labor standards for hired workers on large commercial farms or farms larger than necessary for a satisfactory family sized farm.
3. Ways to improve the relation of farm operators are:
 - a. Work toward owner-operated farms with a goal to reduce the number of farm tenants from about two and one-half million to about one million during the next forty or fifty years. This will mean converting tenants to owners at the rate of about 30,000 net per year, on the average.
 - b. Improve status of tenancy by encouraging the widespread adoption of the long-term written lease which will safeguard the interest of the owner and tenants and provide an incentive for improving property, and also that will reduce mobility and encourage the tenant to make his maximum contribution to the community.

- c. Encourage the use of equitable purchase and credit contracts with payment schedules based on ability to pay, preferably with the use of a variable payment feature, and providing adequate protection to the purchaser for the equity he obtains in the farm through improvement and payment, thus giving him security in land ownership.
- d. Develop cooperative land leasing and purchasing associations to meet the need of certain low-income groups who can best be served in this manner and expand this type of tenure relationship as rapidly as experience justifies.
- e. Acquire Government title to as much land as funds will permit in areas where it appears that the objectives herein stated can best be met by this method. Such land, after development, might be resold in family sized units, but in most cases could probably best be retained by the Government for permanent leasing under a long time perpetuating leasing plan with payments based on the earning capacity of the land. The same policy also to apply to land already purchased.

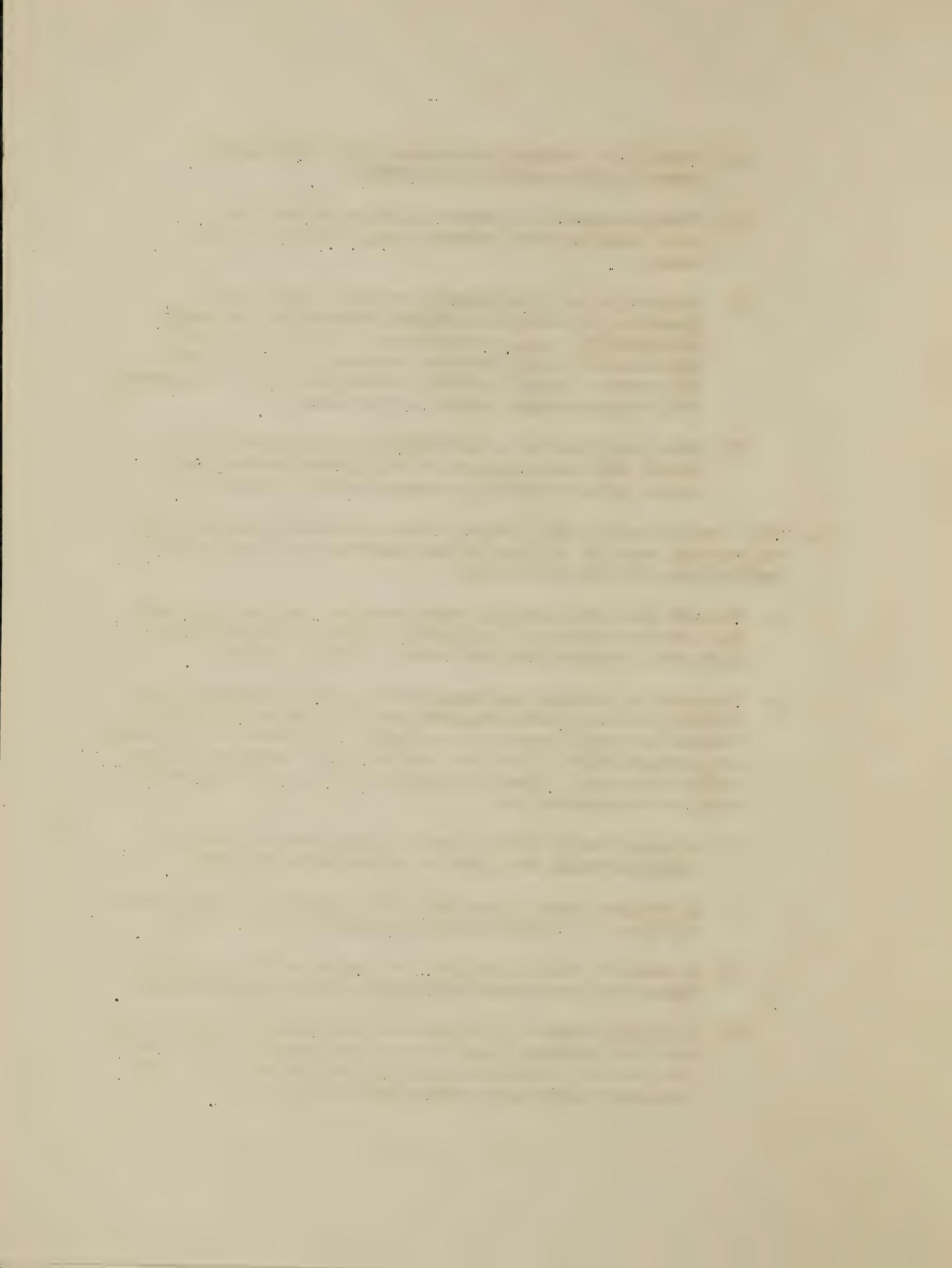
C. Immediate Approaches Being Emphasized this Year

- 1. Contribute to the improvement of the relation of farm operators to the land in the following ways:
 - a. Push cooperative lease and purchase associations throughout the United States.
 - b. Make a real effort to improve relations with institutional landlords, such as banks and insurance companies.
 - c. Each supervisor should work out at least ten really good leases, for example, leases which last five to ten years. Such leases should:
 - 1) Make use of the principle of compensation for making improvements.
 - 2) Make provision for soil conservation in the improvement practices and provide for compliance with current crop control program of the Department of Agriculture, unless the rehabilitation of the family will suffer thereby.
 - 3) Provide repairs and improvements so that minimum standards will be available for the family.

- 4) Provide for woodland management which will bring income to both landlord and tenant.
- 5) Provide security of tenure in order to carry out a sound farm and home program, e.g., five to ten year lease.
- 6) Provide for an understanding regarding the proper financing to implement the improvements in the tenure relationship, e.g., the tenant will borrow from the Farm Security Administration whatever funds the landlord cannot furnish and will be compensated in accordance with understandings stated in the lease.
- 7) Make provision for a self-sufficiency program, e.g., tenant will have free use of sufficient pasture and garden space to supply products for his own use.

2. Work toward keeping land prices, rents and taxes consistent with the earning capacity of land, after allowing for a satisfactory family living by the following:

- a. Through district meetings, teach supervisors how to measure the earning ability of family-type farms, after allowance is made for a minimum adequate level of family living.
- b. Endeavor to develop area standards for the determination of equitable rent. Such standards should serve to determine whether customary rents are equitable in general for the area and particularly if they are equitable for individual farms within the area. Certain principles for the development of such area standards are:
 - 1) A larger share of the crop or income can be paid on a high-producing farm than on a low-producing farm.
 - 2) A smaller share of the crop that requires a large amount of labor or other cash costs should be paid as rent.
 - 3) A smaller share of the crop or income should be paid on farms with inadequate buildings or other improvements.
 - 4) A smaller share of the cash crop or income should be paid when the landlord does not make satisfactory provisions for pasture, garden space, lots, and buildings for subsistence enterprises without additional cost.



5) Less rent should be paid when conservation practices which will conserve and improve the land resources on the farm are used.

- c. Push debt adjustment work for distressed small owner operators.
- d. Secure needed adjustments in purchase contracts. Before any Farm Security Administration loans are made, either for farm operations or for improvements, provisions of the purchase contract should be carefully examined to determine whether they are equitable and whether the interests of borrowers are properly protected.

COMMUNITY AND COOPERATIVE SERVICES

A. Farmers on small farms may obtain some of the advantages of large scale operation and marketing through community or cooperative action. As a first step it will be necessary to:

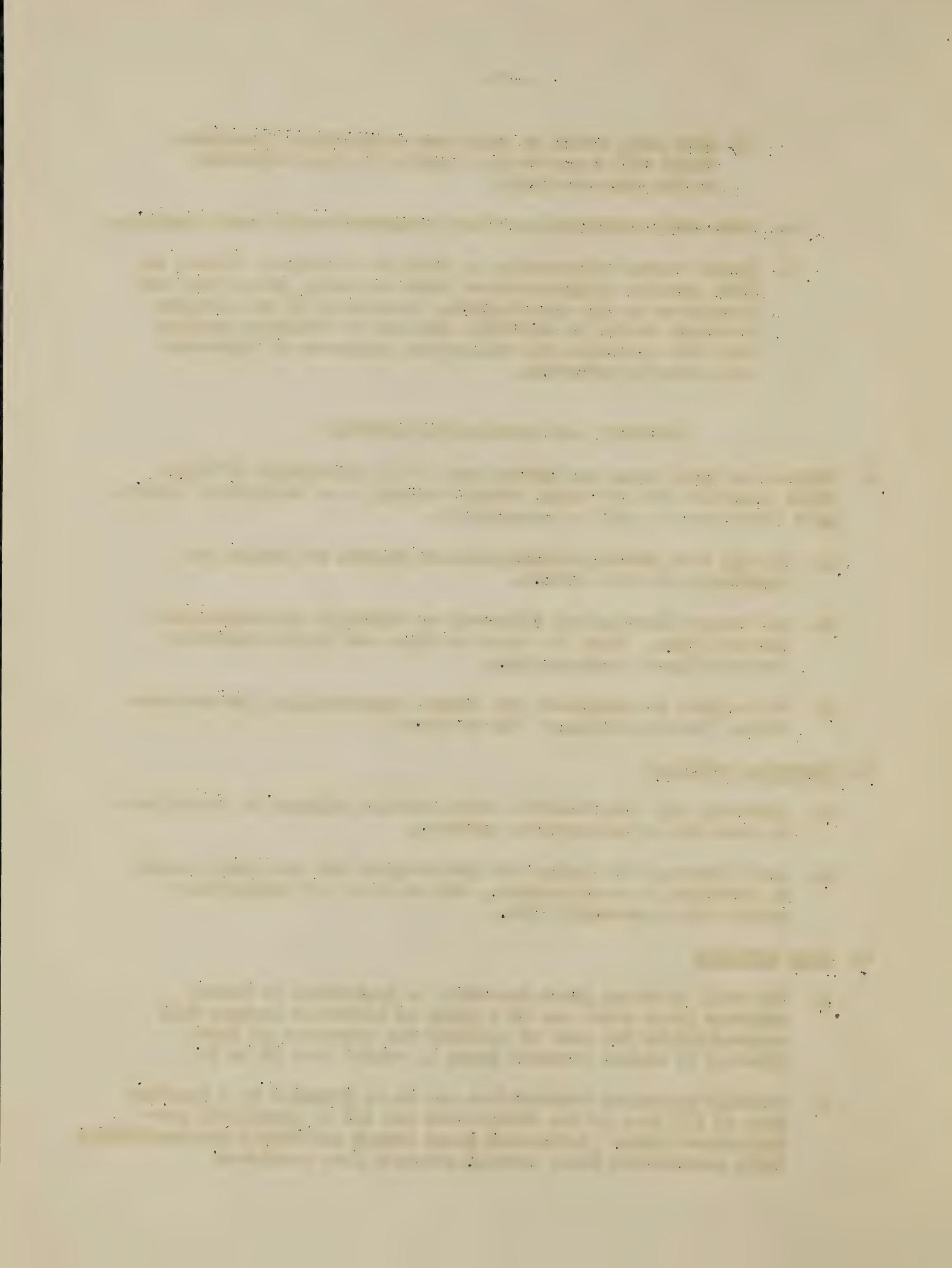
- 1. Get all Farm Security Administration clients to realize the importance of group effort.
- 2. Get better planning and follow-up on community and cooperative service loans. Thus far there has been too little education for intelligent participation.
- 3. Get members to understand and assume responsibility for cooperatives. Develop feeling: "We do this."

B. Operating policies

- 1. Encourage all Farm Security Administration clients to participate in some form of cooperative activity.
- 2. Get it through all heads that cooperatives are not just a means of providing a needed service, but are a way of integrating people into a community life.

C. Loan policies

- 1. For small services joint ownership is preferable to master borrower loans where one of a group of borrowers assumes full responsibility for care of security and repayment of loan. Interest on master borrower loans is raised from 3% to 5%.
- 2. Formally organized associations are to be financed by a combination of (1) loan to the association and (2) by individual participation loans. Individual loans foster individual responsibility, while association loans protect security from outsiders.



3. Members should make, in addition to the Farm Security Administration loans, some contribution either from their own pockets or their labor.

D. Security and membership policy

1. The best security is an enlightened and interested membership. This takes loan out of banking category.
2. Supervisors will be taught how to throw back more responsibility on members for running cooperatives.
3. No loan will be approved unless the group shows some understanding of the purpose of the loan, e.g., at least one meeting of members shall have been held.
4. There must be an annual operating plan and a record book for every Community and Cooperative Services loan. This plan is to be worked up in a group meeting.

E. Special emphasis points

1. Push purchasing associations among Farm Security Administration clients.
2. One unified county cooperative program in each State, e.g., one county wide association which will give all cooperative services (health, purchasing, etc.).
3. In two or three areas of the country, set up a cooperative credit society, i.e., the Farm Security Administration will make loans to credit associations which in turn will loan to individuals.

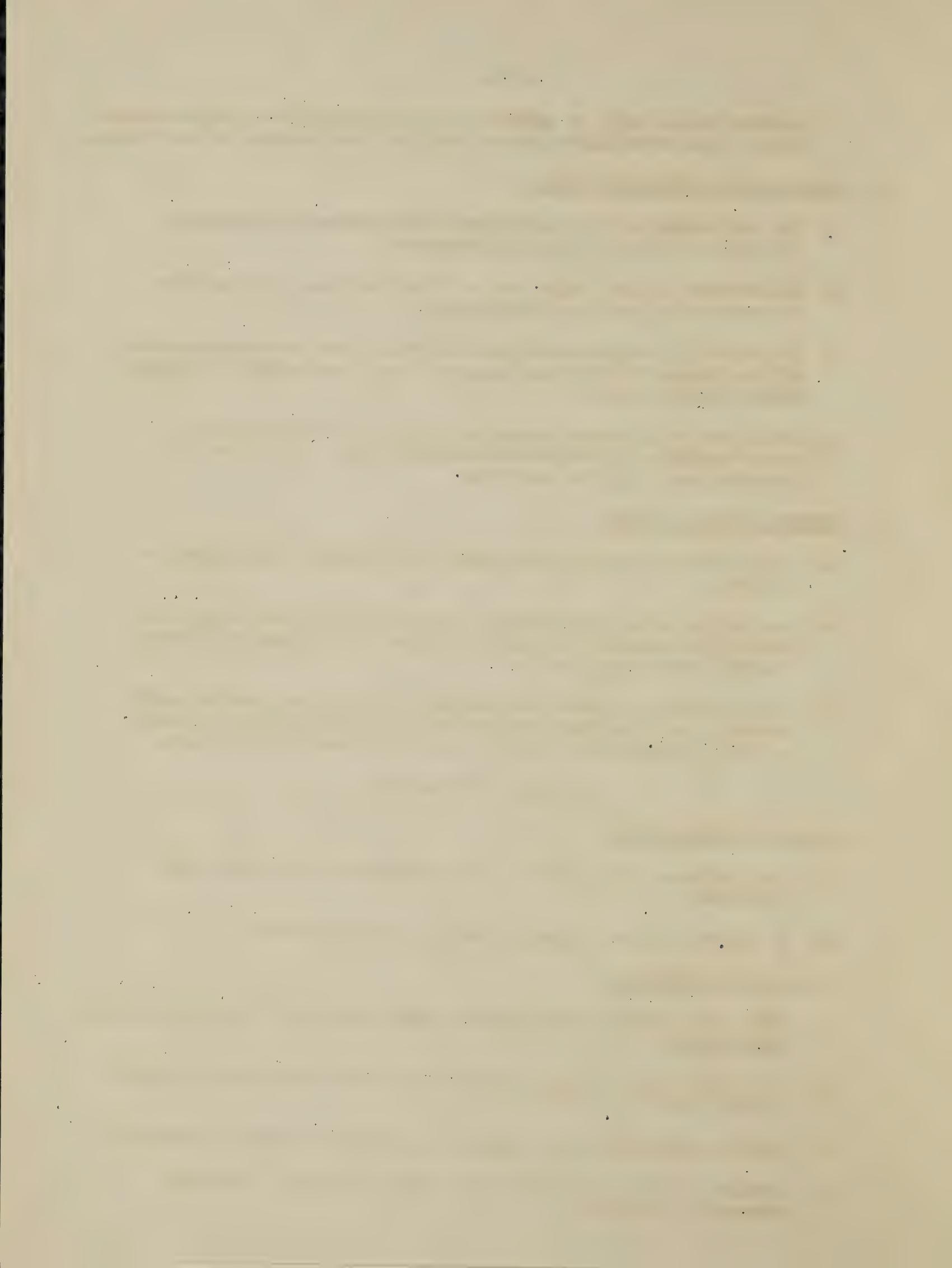
FARM AND HOME PLANNING

A. General Considerations

1. Farm and home plans are not to be considered as separate and unrelated.
2. Be honest. Do real planning and put down real values.

B. This Year's Objectives

1. Make clear that the Farm Security Administration is not just another loan agency.
2. Use cardex and area guide system to see that each family is under a farm plan.
3. Shift responsibility for planning to clients as much as possible.
4. Develop planning criteria on area basis with which individual plans may be compared.



5. Have annual meetings of Rural Rehabilitation borrowers. See why they did well or badly. Out of this will grow greater individual responsibility for planning.
6. Classify clients according to their needs for farm and home supervision.
7. Resettlement projects will be used for experiments in farm management.
8. Improve repayment schedules. At present there is no real form or method of deciding how much of loan should be repaid each year.

C. Measures for Improving Farm and Home Planning

1. Better understanding:

- a. To a far greater extent than is commonly recognized, the remedy for what is wrong starts with the first interview with the applicant. He usually comes to the Farm Security Administration seeking a loan. It devolves upon the farm supervisor, the home supervisor, or the clerk-typist who conducts the interview to make known the fact that loaning is not the primary function of the Farm Security Administration. The primary function is to plan with the family and to assist in carrying out the plans to get on a sounder and better basis of operation. The applicant should be asked to decide whether or not he desires to enter into this relationship.

A small, attractive booklet entitled "The First Interview" will be printed and distributed to all field personnel of the Farm Security Administration so that it can be discussed and elaborated upon at both induction and in-service training courses.

- b. The applicant should be advised in the course of the first interview and again at the applicants' meeting, and as frequently as necessary thereafter, that the farm and home management plan, which he and his wife will be expected to develop with the aid of the farm and home supervisors, is to be accepted as an agreement between them and the Farm Security Administration and to be complied with except as it may be modified by mutual consent from time to time to meet changing conditions.

2. Better planning:

- a. All Tenant Purchase and standard Rural Rehabilitation clients are to operate continuously under farm and home plans, and the cardex and area guide are to be used as the main mechanical tools for seeing that this is done.
- b. Responsibility for initiating farm and home plans is to be shifted from supervisors to borrowers as far as is practicable.
- c. New families on the program will be given group instruction on how to make their own plans on forms provided for that purpose.
- d. Factors, criteria, or standards of good planning will be worked out for each type of farming area in the United States for the purpose of developing sound and workable individual family plans and teaching families. These same criteria will be used in analyzing and spot-checking plans and measuring progress of families.
 - 1) Regional and state farm and home management personnel will carry the primary responsibility for training district farm and home management supervisors to carry on this work.
 - 2) District Rural Rehabilitation and Home Management supervisors will give close guidance to this work. In analyzing and approving all farm and home plans, district Rural Rehabilitation and Home Management supervisors will see that these criteria have been used.
 - 3) These criteria will be developed by the county personnel, and must be based upon conditions and opportunities of local areas.
- e. There will be annual meetings of all borrowers soon after the close of each operating year for the purpose of evaluating progress and laying plans for the forthcoming year. Borrowers unable to attend these meetings should be visited for the same purpose.

3. Improving Supervision

- a. Each family will be classified by county personnel, under guidance of district supervisors, as to kind and quantity of supervision which they will receive during the year.

- b. The area guide should provide the mechanism which shows both the amount and kind of supervision given to each family, and should be used as a supervisory guide to district supervisors in determining quantity and quality of work done in county units.
 - c. District supervisors, as a part of the semi-annual check-up, will appraise each supervisory unit on the manner in which actual supervision compares with planned supervision, and report results to state and regional offices.
- 4. Projects will be used, more than in the past, as experimental laboratories for trying out new crops. It is planned to develop a close working relationship with the various scientific bureaus of the Department in finding new crops to be tried out by our clients.
- 5. Projects offer an opportunity for better marketing and processing of products than is ordinarily available to the scattered client. The projects should become focal points in the general community for these activities, and draw in the Tenant Purchase and Rural Rehabilitation clients in the area to a greater extent than in the past.
- 6. Home management personnel on projects should be instructed to assume responsibilities for such phases of community and family life as: The school, adult education, nursery school, the clinic, health association, community council, various groups and organizations, the store, handicraft and weaving programs and home furnishing programs.
- 7. The following simplified procedure will be attempted with respect to Tenant Purchase borrowers:
 - a. Original Tenant Purchase loan applications shall be supported by information on the farming and rotation system, a financial statement, and an income and expense estimate for the current and a typical year. (FSA-Gen 199 and possibly RR-14 and 14A or modification thereof.)
 - b. Annual Tenant Purchase farm and home plans shall be entered in the Farm Family Record Book and pencil carbons filed in the county office. No copy of annual plans shall go to the regional office.

- c. Annual plans for Tenant Purchase borrowers shall be approved by district Rural Rehabilitation and Home Management supervisors.
- d. Spot-checking of Tenant Purchase plans by regional and state personnel will be "on the farm spot-checking" where plans and execution can actually be compared.
- e. Supplemental Rural Rehabilitation loans, which should be anticipated as to amount and date in the annual plan, shall merely be supported by a narrative justification, in addition to the data already in the borrower's loan docket.

FARM SECURITY ADMINISTRATION COMMITTEES

The Farm Security Administration is making a real effort to effectively utilize a system of advisory state and county committees in order to better adjust national policies to local conditions. Considerable reorganization of committees on the county level is being effected. These committees are:

- A. State Farm Security Advisory Committee
- B. County Rural Rehabilitation Committee
- C. County Farm Debt Adjustment Committee
- D. County Tenant Purchase Committee
- E. County Farm Security Advisory Council

Main functions of these committees are:

- A. State Farm Security Advisory Committee
 - 1. To advise with respect to adapting broad national Farm Security Administration policies to local conditions in the respective States, and to submit recommendations that may be helpful in shaping the future course of the Farm Security Administration program.
 - 2. To inform State and regional Farm Security Administration officials of their own reactions, and of the reactions of the public in general, to the Farm Security Administration programs.
 - 3. To assist in coordinating the Farm Security Administration programs with other activities, such as Agricultural Adjustment Administration, Extension Service, Land Use Planning, and the like.

4. To consider and advise concerning farm debt adjustment activities.
5. To consider and advise concerning farm tenants' problems, including such matters as tenure and rental contracts.

B. County Rural Rehabilitation Committee

1. To advise with the Rural Rehabilitation supervisor regarding farm experience, need and suitability of farm applicants.
2. To assist in solving problems of families involving psychological, moral and physical considerations.
3. To assist in developing among borrowers and applicants a feeling that farm and home planning, record keeping, home production of food and feed are important to their success.
4. To assist in developing group activities, including discussions, participation in community activities, and membership in cooperative organizations.
5. To help with certain types of problem cases.
6. To function as a part of the county Farm Security Advisory Council.

C. County Farm Debt Adjustment Committee

1. To consider applications from farm families and creditors of farm families for voluntary debt adjustment, and to aid in effecting equitable adjustments.
2. To study the financial status of Farm Security Administration applicants, borrowers, and other farmers, and assist them in understanding and solving their financial problems.
3. To explain to creditors improved credit policies which will be of mutual benefit to both creditor and farm family.
4. To make a careful study of the tenure situation of the Farm Security Administration borrowers to determine whether rents and purchase or mortgage contracts are equitable, and assist in working out equitable arrangements with landlords, sellers, and mortgage holders.
5. To study the debt structure of associations or cooperatives whose services are used by farm families, and assist them in adjusting their debts in such manner that it will lessen the cost or improve the service.
6. To function as a part of the county Farm Security Advisory Council.

D. County Tenant Purchase Committee

1. To certify applicants and farms as specified in Title I of the Bankhead-Jones Farm Tenant Act.
2. To recommend the amounts that variable payment borrowers should pay in event of lack of agreement between supervisor and borrower.
3. To help with certain types of problem cases.
4. To interpret Tenant Purchase phases of Farm Security Administration program to public.
5. To advise with respect to Farm and Home Plans for Tenant Purchase borrowers.
6. To function as part of county Farm Security Advisory Council.

E. County Farm Security Advisory Council

1. To cooperate with local groups such as county Land-Use Planning committees, Agricultural Adjustment Administration committees, and civic organizations in planning and developing a coordinated attack on community problems as they affect low-income farm families.
2. To advise with local Farm Security Administration personnel in developing an effective program of rural rehabilitation.
3. To assist in informing lending institutions, supply and equipment dealers, businessmen of all types, and other local groups as to the objectives and methods of Farm Security Administration.
4. To meet occasionally to discuss problems relating to the agricultural programs for the community, and the work of the various committees comprising the council.
5. To work with low-income farm families, explaining policies and underlying principles of Farm Security Administration.
6. To encourage group discussions of all phases of community life, both in their local aspects and in relation to state and national problems, with particular emphasis upon the responsibilities of local communities in solving these problems.

